



Meeting July 18, 2023

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COMMITTEE REPORT

TO: FINANCIAL MANAGEMENT COMMITTEE (FMC)
FROM: DEPUTY CHIEF ADMINISTRATIVE OFFICER AND CHIEF FINANCIAL OFFICER
SUBJECT: MRDT RENEWAL
PURPOSE: To request approval to make an application to the Province for an increase in the Municipal and Regional District Tax (MRDT) rate and for the use of MRDT net revenue from Online Accommodation Platforms for affordable housing initiatives.

RECOMMENDATION

THAT the City Solicitor be authorized to bring forward a bylaw, substantially as set out in Attachment 1 of the report titled "MRDT Renewal" dated July 18, 2023, to request the imposition of a 3% Municipal and Regional District Tax (MRDT) applicable to accommodation purchased in the City of Burnaby effective June 1, 2024 and to request that MRDT net revenue from online accommodation platforms be used for affordable housing initiatives in the City of Burnaby;

THAT an application to the Province requesting renewal of the MRDT and percentage levy increase on behalf of the City of Burnaby and Tourism Burnaby as described in section 4.0 of the report, be approved; and

THAT a new non-statutory reserve for the collection and disbursement of MRDT net revenue from online accommodation platforms be authorized.

1.0 POLICY SECTION

Increasing the MRDT percentage for Burnaby housing initiatives and reserve funding will help facilitate more non-market housing units and aligns with several City policies., including the Corporate Strategic Plan (2022), HOME: Housing and Homelessness Strategy (2021), Burnaby Housing Needs Report (2021), Mayor's Task Force on Community Housing Final Report (2019), Burnaby Social Sustainability Strategy (2011), Burnaby Economic Development Strategy (2007) and Official Community Plan (1998).

Under section 240 of the *Provincial Sales Tax Act* (the "Act"), a municipality may request that the Lieutenant Governor in Council make a regulation designating the area of a municipality as a designated accommodation area and providing for an additional tax levy of up to 3% on sales of accommodation within the municipality to raise revenue for the purposes of financing tourist promotion and affordable housing initiatives in the municipality.

2.0 BACKGROUND

2.1 Municipal and Regional District Tax (MRDT)

In 1987, BC Provincial Legislation introduced the MRDT to provide funding for local tourism marketing, programs and projects. The MRDT applies to the sale of short-term accommodations, contributes to the goals of growing BC revenues, visitation and jobs, and amplifies BC's tourism marketing efforts. The City of Burnaby received Provincial approval in 2004 for the establishment of Tourism Burnaby – an independent Destination Marketing Organization (DMO) that develops and supports tourism promotional activities to increase visitation to Burnaby, British Columbia. Tourism Burnaby comprises an Executive Director and three marketing/support staff. Tourism Burnaby has expanded its board and is now governed by eleven directors, consisting of four directors representing accommodation providers, one director from the Burnaby Board of Trade or a Business Improvement area in Burnaby, two directors representing and nominated by City of Burnaby, and four directors representing Sport, Post Secondary Education, Retail and Restaurants in Burnaby, respectively.

The MRDT rate is set by the local government with approval from the Ministry. The tax is collected by the Provincial government and remitted to the City. The MRDT received by the City is provided to Tourism Burnaby and approvals from the Province for the distribution of the MRDT are for a five-year period, with a renewal request at the end of the term. Burnaby's last MRDT renewal was June 2019 and runs through June 2024. The current approved MRDT rate for Burnaby accommodation sales is two percent.

Effective September 1, 2015, Provincial legislation has allowed for the maximum MRDT tax rate to be three percent. In order to increase the MRDT tax rate from two percent to three percent, an application must be submitted to and approved by the Province.

The MRDT distributions to Tourism Burnaby are broken down into two categories: (1) general MRDT revenues, which are generated from short term stays at hotels and motels, and (2) Online Accommodation Platforms (OAP) which are online marketplace booking systems, such as Airbnb, also for short term stays.

2.2 MRDT for Affordable Housing

In 2018, the Provincial Budget added affordable housing as a permissible use of MRDT funds as a means of supporting and addressing local and regional housing needs. This addition provides the flexibility to define, identify and fund local affordable housing initiatives. Utilization of these funds for affordable housing initiatives requires additional reporting to the Ministry to ensure ongoing accountability. In addition, stakeholder consultation and engagement must be increased and remains mandatory.

With the extension of use of the MRDT for affordable housing initiatives, funds can be used from either the general or OAP MRDT revenues. Depending on the fund sharing model chosen, specific documentation and stakeholder engagement would be required. For example, the OAP portion even at two percent can be used for affordable housing initiatives and be reported to the Province as part of the annual November reporting requirements. However, the use of a portion of the general MRDT revenues for affordable housing initiatives would require approval from 51% of the accommodation provider stakeholders. What must be agreed upon between the DMO and the municipality is the percentage of the MRDT that will be used for affordable housing initiatives and from what revenues (general, OAP or both).

The model most prevalent between DMOs and municipalities that choose to direct a portion of the MRDT for affordable housing, is an increase in the MRDT to three percent with the full OAP portion being transferred to affordable housing initiatives. The general portion remains with the DMO for its initiatives.

MRDT recipients may use revenues for any of the following affordable housing initiatives:

- Acquiring, constructing, maintaining or renovating housing or shelter;
- Acquiring or improving land used for, or intended to be used for, housing or shelter;
- Supporting the acquisition, construction, maintenance, renovation or retention of housing or shelter or the acquisition or improvement of land intended to be used for housing or shelter;
- Supporting housing, rental or shelter programs; or
- Paying expenses related to the administration or disposal of housing, shelter or land acquired with money paid out of MRDT revenues.

2.3 Previous MRDT Report to Council

A report from the Planning and Development Committee was presented to Council at its December 7, 2020 meeting recommending that Council approve an application to the Province to increase the MRDT from two percent to three percent, and for the use of MRDT net revenue from the Online Accommodation Platform (OAP) portion for affordable housing initiatives, effective January 1, 2022. Council approved these recommendations. However, following further consultation and discussion with Burnaby accommodation providers and Council, the decision was made not to proceed with the proposed application at that time because of ongoing pandemic travel restrictions and the delay in revenue recovery prospects for the Burnaby tourism sector. Following the lifting of travel restrictions, 2022 proved to be a successful year for leisure and travel with many events returning to Burnaby and tourism activity returning to, or exceeding, pre-pandemic levels.

With the support of Mayor and Council, Tourism Burnaby staff and members of the Board of Directors is confident that a majority of Burnaby accommodation providers will now be supportive of an application to the Province to increase the MRDT from two percent to three percent.

3.0 GENERAL INFORMATION

A review of 69 municipalities in British Columbia that participate in the MRDT program, identified that 41 had an MRDT rate of three percent and the remaining 28 (including Burnaby) currently have a rate of two percent. The following Metro Vancouver cities currently participate in the MRDT program, with the current MRDT rate noted:

- Abbotsford (3%) • Langley Township (2%) • Richmond (3%)
- Burnaby (2%) • North Vancouver City (3%) • Surrey (3%)
- Langley City (2%) • North Vancouver District (3%) • Vancouver (3%)

The most common affordable housing revenue sharing model from these 30 municipalities provides the general MRDT revenues to the DMO and the full OAP generated revenues to affordable housing initiatives. An increase in the MRDT from two percent to three percent is proposed and, if approved, would align the City of Burnaby with the MRDT rate of other neighboring municipalities.

If the MRDT is increased from two percent to three percent, then 0.2 percent of the incremental one percent increase will be retained by Destination BC to support a provincially-led program to support tourism events that are expected to increase tourism to or within British Columbia. As a result, the net increase in MRDT revenues to the Tourism Burnaby and the City will only be 0.8 percent for a net MRDT of 2.8 percent.

The MRDT Program is jointly administered by the Ministry of Finance, Ministry Tourism, Arts and Culture, and Destination British Columbia. In order for the Province to levy the MRDT on the City’s behalf, the City must submit an application to the Province, and include a copy of a Council-adopted bylaw requesting the Province to levy the tax on the City’s behalf. Additional application requirements include:

- Documentation showing majority support from the Burnaby local accommodation sector for the tax;
- A summary of how the MRDT revenue has been spent on an annual basis since it was implemented, and
- A business plan for future spending.

An application to the Province requesting an increase in the MRDT from two percent to three percent must be submitted nine months prior to the target effective date and, if OAP revenues will be spent on affordable housing initiatives, the application must include an Affordable Housing MRDT Plan.

Required documentation for the application is currently being gathered and prepared. Subject to receiving the support of a majority of the 11 accommodation providers in Burnaby (Attachment 2) and Council approval and adoption of a new *Burnaby Municipal and Regional District Tax Bylaw* as outlined in section 4.0 of this report, staff and Tourism Burnaby intends to submit an application to the Province in September 2023 requesting an increase of the MRDT from two percent to three percent, effective June 1, 2024 for a five-year term.

3.1 Burnaby Municipal and Regional District Tax Bylaw

It is recommended that a new *Burnaby Municipal and Regional District Tax Bylaw* be brought forward to request the Lieutenant Governor in Council to make a regulation under Section 240 of the Act as follows:

- (a) designating the City of Burnaby as a designated accommodation area under Section 123 of the Act;
- (b) designating the City of Burnaby as a designated recipient of an additional tax on accommodation purchased in the municipality;
- (c) setting the rate of the tax that is to apply to accommodation purchased in the City of Burnaby at 3.00% of the purchase price of the accommodation, effective June 1, 2024; and
- (d) permitting the City of Burnaby to spend the amounts paid to the City of Burnaby out of the revenue collected from the tax on tourism marketing, programs, and projects, except that revenues from the tax imposed on purchases through online accommodation platforms may be expended on affordable housing initiatives.

The proposed *Burnaby Municipal and Regional District Tax Bylaw* is set out in Attachment 1.

If this Committee adopts the recommendations of this report, staff will bring forward a report to Council, together with the proposed *Burnaby Municipal and Regional District Tax Bylaw* for 1st, 2nd, and 3rd readings at the next available Council meeting. The proposed *Burnaby Municipal and Regional District Tax* would be presented to Council for final adoption once all supporting documentation for the application to the Province has been gathered and the support of a majority of the accommodation providers in Burnaby has been obtained.

4.0 COMMUNICATION AND COMMUNITY ENGAGEMENT

The Executive Director, Tourism Burnaby and City of Burnaby representatives on the Tourism Burnaby Board of Directors are actively engaged with the Burnaby accommodation providers for their continued support of Tourism Burnaby as the premier DMO in British Columbia. Furthermore, the discussions and engagement build upon the synergies between all stake holders in Burnaby for housing initiatives to garner support for the MRDT increase.

With the implementation of a 3% MRDT, the designated recipient are subject to enhanced strategic planning requirements, tactical planning, performance measurements, financial accountability and reporting. To provide evidence of stakeholder satisfaction, an annual survey under MRDT guidelines will be required as part of the fiscal reporting which will assess the level of awareness of Tourism Burnaby’s marketing activities and satisfaction of MRDT fund usage.

5.0 FINANCIAL CONSIDERATIONS

The net OAP MRDT revenues arising from the increase in the MRDT levy from two percent to three percent will be collected and utilized for expenditures related to applicable affordable housing initiatives. Based on 2022 figures, it is anticipated that this would be approximately \$480,000 in annual contributions.

To support the additional reporting requirements for the net OAP MRDT revenues, City staff are recommending that a new non-statutory, non-interest-bearing reserve be established. The new reserve would be referred to as the OAP Municipal Regional District Tax reserve. The establishment of this reserve will allow staff to deposit the net OAP MRDT revenues into a separate reserve account to ensure accountability and proper use of the funds for affordable housing initiatives. Transfers to/from this reserve will be included in the City's Annual Financial Plan.

Respectfully submitted,

Noreen Kassam, Deputy Chief Administrative Officer and Chief Financial Officer

ATTACHMENTS

Attachment 1 – Proposed Burnaby Municipal and Regional District Tax Bylaw 2023
Attachment 2 – List of Accommodations/ Hotels, Canvassed in Burnaby

REPORT CONTRIBUTORS

This report was prepared by Douglas Spindler, Director Treasury Services and reviewed by Jennifer Wong, Assistant City Solicitor.